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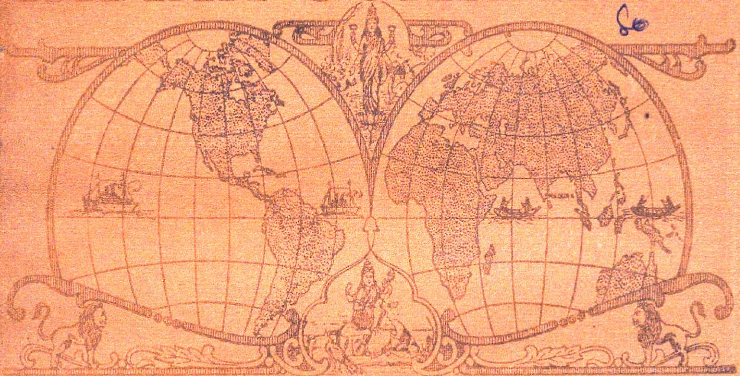

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Better Late Than Never.

The appointment of a special officer by the Government of India to report on the working of joint stock companies registered under the Indian Companies Act of 1913 and to make suitable recommendations with a view to its early amendment so as to see that the Indian Company Law is made up-to-date and comprehensive, is indeed a welcome news to those interested in the industrial expansion of the country which, to a large extent is dependent upon the successful formation and efficient working of joint stock companies In these days of world wide business activity, no single trader or a group of individuals trading under the name and style of a firm, can hope to finance big organisations requiring large capital investment and as such the formation of joint stock companies which admits of a large number of persons to contribute to the working

capital by means of shares which are usually priced at a few rupees, thereby enabling even the poor to subscribe for them, has become the order of the day. In the Western industrial countries joint stock companies with a share capital running to seven or eight digit figures, divided into shares of the value of £1 and even small sums as 10 shillings are not uncommon. In India also, of late a number of companies have sprung up. Though the rules and regulations of these companies satisfy the strict letter of the Law, in most cases they fail to satisfy the spirit. The shareholders are at the mercy of the Directors and the Managing Agents

The Indian Companies Act of 1913 coded 21 years ago is now quite out of date and needs immediate revision on modern lines admit of no contradiction. The English Companies Act of which the Indian Act is a copy has been amended as early as 1929 and ever since the cry in the country for the amendment of the Indian Companies Act is on the increase. The managing agency system, a system unique and having no parallel in any other country in company management, has been condemned a number of times and in spite of this condemnation, companies recently floated in the country have clung to the old policy of entrusting its management to the managing agents fixing their remuneration in different ways in different industries. We have pointed out a number of times in these columns the evils resulting from the system of entrusting the management of a company to the managing agents for a number of years and would therefore only suggest that in the next amendment of the Companies Act the provision for managing agency system should be declared illegal and as such a company making provision for it in its Articles of Association should not be allowed to be registered or incorporated

At present the security granted by the Act for the money invested by the shareholders in the shares of a company is not sufficient. With recent failures of companies, banks, etc., registered under the Companies Act, due to mismanagement, in some cases wilful and knowing full well that the company is mismanaged, we think the Act should provide for better control of the Directors and their actions with suitable punishments in case of proved guilt. Again in the matter of sending the final published accounts to the shareholders, statutory provision should be made for giving detailed information both as regards profits and losses and the assets and liabilities with previous year's figures for purposes of comparative study. We know of a recent instance in which a shareholder in a cotton Mill had to carry on a lot of correspondence with the managing director and the mill auditor for a copy of the separate report submitted by the latter to the former without getting it and with no better result even in spite of the intervention of the Registrar of Joint Stock Companies who, as the law is at present, is powerless to enforce compliance in a case of this type. We would therefore suggest that suitable provisions should be enacted by which a shareholder may have the right to obtain the desired information with the minimum of expense and making the directors responsible for supplying the information asked for by a shareholder under pain of a severe penalty

144996.

The next amendment in the Companies Act should make it obligatory on the part of the directors to state in the balance sheet of the holding companies the full particulars of the subsidiary and sub-subsidiary companies, their free reserves etc., so that the shareholders may have facilities for ascertaining the true position of their company which has a controlling interest in its subsidiaries. In short, we hope, the special officer will soon submit proposals to the Government of India, which when carried out, will make the company administration more responsible than at present, and infuse in the minds of the general public sufficient confidence, without which their savings cannot find a way for investment in the shares of the companies, to the effect that the company admistration in the land is under effective supervision of the Government authorities.

A Suggestion.

The proceedings of the Commissioner for Government Examinations, Madras, Memo. C No. 491/D/34 dated 18th July 1934, published in the Fort St. George Gazette reading:—

The following suggestion of the Board of Examiners for the Government Technical Examinations (Commerce) is published for the general information of heads of Commercial Institutions in the Presidency and of the candidates offering themselves for the Technical Examinations in Typewriting, especially, the Higher grade:—

"The Board is of opinion that the instruction imparted to the pupils in the construction and working of Typewriters is deficient and the tests conducted by the Board reveal the fact that there is little real understanding by the candidates of the mechanism of Typewriters. It is also to be noted that candidates possess very little knowledge of duplicating machines, the cutting of the stencil and the taking of copies on the duplicator. Institutions presenting candidates for the examinations in the subject should pay more attention to this part of the syllabus."

will, we believe, be read with much concern by those interested in the Government Technical Examination in Typewriting. The April 1934 examination in Typewriting is the fifth of the new series brought into effect since January 1933 and probably the above notification is the outcome of the experience of the examiners in the recent practical tests. According to their views, candidates appearing in future for the practical test should exhibit a higher degree of knowledge in the typewriter mechanism. If that be so, we suggest the Typewriting examination may be divided into two parts, (Part I, written test and Part II mechanism test) and the compartmental system of appearing, as in the University examinations, is brought into vogue. A candidate having passed the written test but failed in the mechanism test *should not be required* to appear for the written test a second time; but he should be permitted to appear for the *mechanism test alone* on a subsequent occasion by remitting a separate examination fee and on his passing it, the certificate must be issued. In other words, the bifurcation of the typewriting examination is an absolute necessity on account of the following reasons:—

(1) Appearing for the written test a second time involves additional expenditure to the candidates on account of the school fees and the most important item of special fees namely 'Machine Hire' for using the typewriter in the examination hall for a period of two hours, ranging from Rs. 5 to Rs. 15.

(2) In spite of the expenditure incurred as above, the candidate has to submit to the examination risk, a pass or failure, causing much mental worry.

(3) The machanism tests, from the point of view of all the candidates in general, are far from uniform and as such chance plays an important part in one's success in it. Very simple questions are put to some examinees and very difficult ones to others. Again if the first question put to an examinee happens to be an easy one and is well answered by him, a better impression is created in the minds of the examiner having its own good effects. On the other hand if it happens to be a difficult one, unanswerable by the candidate, a different impression is formed by the examiner and the candidate also gets perplexed. Still there are many other causes that may be attributed to the failure in the mechanism test viz, the different methods of putting questions to the examinees by the examiners, the answers expected by them, sometimes, exactly in the way in which they expect and so on.

By bifurcating the typewriting examination into two parts as advocated above, we believe, the efficiency of the test will not in any way, be affected The Intermediate in Arts and the B. A. degree examinations of the Universities are divided into parts and in the Government Technical Examinations also provision for appearing in parts is made in the subject of "Tailoring and Dressmaking" We therefore request that the Commissioner for Government Examinations will kindly arrange for the bifurcation of the Typewriting test on the lines suggested above at an early date so that candidates failed in the mechanism test may not have the necessity for appearing for the written test again as at present; but may appear for the mechanism test alone at a specially reduced examination fee which may be fixed at not more than Rs 3 and Rs. 6 for the Lower and Higher respectively.

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Why Recovery is slow in India?

BY

C. B. MEHTA.

Addressing the half-yearly general meeting of the Bombay Shroff Association on the 15th July 1934 Sheth Chunilal B. Mehta, the President, surveyed recent economic events and said:—

The impression is gaining ground that the world has turned a corner and that since the commencement of the new year, it is gradually emerging out of the economic depression that had gripped it since 1929. The fact cannot be gainsaid that signs of trade recovery are visible in several countries where the respective Governments have been making Herculean efforts to grapple with the economic malaise. But the hopeful outlook in the economic situation which is noticeable in other parts of the world has not to the same extent dawned in India. The reason why India has failed to achieve improvement which has taken place in other countries is due to the indifference of the Government of India towards measures which other countries have adopted to relieve economic distress. For solution of economic depression rise in prices of primary products is now an universally accepted remedey. Depreciation in exchange, expansion of currency and economic planning are recognised as some of the remedies for raising prices of raw products. The Government of India have doggedly stuck to their 18d. sterling ratio policy. Not only were steps not taken to lower the ratio of 18d. by the Government, but also no measures were devised to stop the gold exodus which has now reached the stupendous figure of 192 crores of rupees. As regards economic planning, there was a Conference of Government Officers at Delhi in April where some vague and indecisive discussion took place. But the fundamental problems of causing a substantial recovery in the price-level remain unsolved.

Having faild to undertake any constructive economic measures for improving agricultural prices, Government have turned their attention now to the problem of agricultural indebtedness. The burden of debt weighing upon the agriculturists is very heavy and there is urgent need to tackle this problem. Agriculture has become unremunerative, as the prices of agricultural products have declined heavily. Even the Co-operative Societies which are said to give loans at lower rates of interest to agriculturists, complain of accumulating arrears. The primary necessity is, therefore, to take measures to improve prices of agricultural products. Furthermore, it is equally important to make a reduction in land revenue, for payment of which agriculturists have to sell what little gold or silver they possess. The problem of agricultural indebtedness will not be solved, till measures are taken to improve prices of agricultural produce and substantial in the burden of land revenue is made. While discussing this problem of agricultural in-

debtedness, it is appropriate to point out at this stage agriculturists receive monetary help from small village money-lenders who in their turn depend upon the shroffs of the districts for assistance of finance. When the agriculturists are thus linked with shroffs, it is of paramount importance, if Government are really anxious to provide agriculturists with credit facilities at lower rates of interest, that measures should be taken by Government to link the indigenous Bankers with the Reserve bank at the first opportunity.

CHEAP MONEY AND THE BANK-RATE

I dare say there is silent grievance that in spite of comparatively cheaper monetary condittons in this country, the shroffs are unable to extent the benefit to their clients fully. It is often pointed out that money is cheap for those who receive deposits, but not to those who have to borrow. The Government have often declared that cheap money is their, policy, but they have not taken until now a single step to make monetary conditions really cheap in India. It has been admitted even in official reports that cheap money is the outcome of the trade depression. In other words, what I want to indicate is that even without Government's declaration of policy, money would have remained cheap because of trade depression. In countries like America, money is simply forced into trade and industry with a view to bring about a recovery.

That the Bank rate in India is comparatively high will be readily admitted. In recent years, no other Government in the world than the Government of India have been able to float a longterm loan bearing the same rate of interest as the Bank rate. The spread in India between the Bank rate and the yield on long-dated securities is the lowest in the whole world. This is in itself an ample evidence to show that 3½ per cent Bank rate is unwarranted in India. It cannot be regarded for a moment that 3½ per cent is the irreducible minimum for India. If there is a desire on the part of the Government to reduce it substantially it can be easily done without being detrimental to other interests. It is often contended that the Imperial Bank must have certain minimum profit every year and that it cannot be secured unless the Bank rate remains at 3½ per cent But it is not recognised that the business of the Imperial Bank is bound to increase if the Bank rate is brought down and credit is granted in the full spirit in which the idea of cheap money is conceived of. Larger turnover must lead to larger profits. At any rate, it cannot tend to further lower the annual profits of the Imperial Bank and therefore the Imperial Bank will not stand to lose by lowering its rate.

PLEA FOR CURRENCY EXPANSION.

Following a reduction in the Bank rate there ought to be currency expansion also. At the outset, I should like to say that I do not at all plead for inflation. I do not urge the Government to issue paper notes without a corresponding increase in reserve. But what I urge the Government to do is to provide room for the automatic expansion

of currency. Prior to September 1931, when the gold standard was in existence, there was provision to tender gold to Government at a statutory price and every influx of gold into the Currency Department resulted in an equivalent amount of increase in note circulation. That was the state of affairs three years ago. But now with the change to the sterling standard the old automatic system has disappeared, at any rate, until the Reserve Bank begins to function. In other words, while the people of India continue to part with their gold, there is no corresponding increase in note circulation. This is evidently so, because no distinction is made between the sterling purchased to meet the annual 'Home' charges and that purchased on account of the Currency Deparment. Formerly, when we were on the gold standard, all sterling purchases were for 'Home' charges and gold influx was considered as the automatic demand for currency expansion But with the establishment of sterling standard, the old practice is gone and no currency expansion is possible unless the Government desire it. This state affairs must disappear As we are now on the sterling standard there must be a corresponding expension in currency to the extent of sterling purchases in excess of the Budget requirements.

SILVER SALES POLICY

There is at present, perhaps, no greater topic of international interest than silver, the rehabilitation of which is now undertaken by the American Government. According to the Silver Agreement arrived at the World Economic Conference, the Government of India are permitted to sell 35 million ounces a year. But is does not mean that the Government of India must sell silver, I should say without a definite aim before them. They are not investing the sale proceeds of silver, in gold according to the recommendations of the Hilton Young Commission and besides their sales result in actual loss to the Government. The losses sustained by the Government on account of silver sales must be undoubtedly colossal and they now propose to set off these losses against the Gold Standard Reserve. The final balance of transaction after the silver sales will be that most of the assests of the Gold Standard Reserve will disappear and to this extent it is a capital loss to the country. After eight years of continued sales the Government are in no way better for them. This should be frankly recognised by them. As a result of losing a substantial portion of their silver stocks, the silver reserve behind the notes in circulation is less than before. This is a serious matter, the consequences of which will be recognised only when a substantial demand for rupee coins appears. There are indications that with the recovery in trade there will be increased demand for silver currency and this will gain momentum if the Americans attempt to raise the price of silver succeed In this eventuality the Government may be faced with an unexpected situation, for, there is the obligation on their part to redeem every currency note with silver rupees. The Government cannot afford to give up this responsibility as they have easily done with the rupee ratio. Therefore, in case they continue to sell silver according to the present policy, a time may come when they may have to re-buy it at a much higher price for coinage as they did during the last postwar boom.

The British Money Market

HALF-YEAR ENDING JUNE 30, 1934.

From the narrow aspect of day to-day business, the past half-year has been an extremely dull and uneventful period. The stagnation of international trade continues to be reflected in a dearth of commercial bills, while the Government has continued its policy of refunding the National Debt, and so has made further inroads into the supply of Treasury bills. Nor have bill-brokers been ready sellers of three months' Treasury bills to the clearing banks, for the minimum rates offerd by the latter in joint agreement have as a rule been above the weekly tender rates, and so bill-brokers would have unable to sell except at a loss. In consequence business between the money market and the clearing banks has been largely limitted to the shorter-dated Treasury bills, while the banks have had to tender themselves whenever they wanted Treasury bills for the full three months. It is arguable that it would be better practice for the banks to leave the duty of tendering to bill-brokers, who would then provide the banks with bills of the exact dates they needed; but this has not been the practice since the war.

An examination of the recent trend of money and discount rates show why this post-war procedure persists. During the past half-year the weekely tender rate for Treasury bills averaged between 27/32 and $\frac{7}{8}$ per cent Broadly speaking, the clearing banks kept their minimum buying rate for hot Treasury bills at 1 per cent until March 16th, and then dropped it to 15/16 per cent. Thus bill-brokers could not tender or Treasuries and re-sell them at once to the banks except at a loss. On the other hand, the average rate charged for loans by houses other than the clearing banks was as a rule no higher than $\frac{3}{4}$ per cent., and while clearing bank money still cost 1 per cent. the average cost of loans from all sources was probably little more than $\frac{7}{8}$ per cent. Hence it paid them better to hold their Treasury bills for a time rather than to sell them at once to the clearing banks. (It should, however, be added that bill-brokers and discount houses are now accustomed to invest part of their borowings in Treasury bonds and other Government securities possessing a considerably higher yield than that of Treasury bills. and thus improve their average income.)

On the other hand, the clearing banks have consistently quoted lower minimum rates for one moth's and two moths' Treasury bills For example, at the end of May, when the tender rate was 27/32 per cent, they quoted 13/16 per cent for July Treasuries $\frac{7}{8}$ per cent. for August, and 15/16 per cent for the hot bills maturing at the begining of September. With money costing about $\frac{7}{8}$ per cent. it paid a bill-broker to sell his July bills, but it did not pay him to sell his hot bills. This was the general relation of rates during the whole of the six months, and for this reason business between the clearing banks and the discount market was largely confined to the shorter-dated bills. Incidentally, the banks are hardly consistent when they quoted higher rates to the market for three months' Treasury bills and at the same time are willing to pay lower rates at the weekly tender. It is not entirely the market's fault that business has been driven out of its pre-war path. It cannot, however. be definitely said that all the clearing banks are now accustomed to apply for bills at the weekly tender.

(*To be continued*)

Costing as Applied to a Large Departmental Store.

By MR. LEONARD FRANKLAND, A. C. A.

Mr. Chairman and gentlemen, I suppose all of us at some time or another have been the intricate details of a railway engine—not that a railway engine has very much to do with costing, but it brings out this particular point. We were shown little brass knobs here, little dials somewhere else, and an engineer would go into elaborate details over the technicalities of each of these little knobs and dials, so much so that most of us got the idea that George Stephenson was a wonderful man to think all these little odds and ends out and put them together. We know it was not so. George Stephenson started the main outline, the bare elements of the modern elaborate machine and all the other little finnicky pieces have been added to the main parts since. It is much the same with costing. Some of us who have occasion to inspect and examine various costing systems are shown elaborate forms, marvellous little books, and a whole mass of detail which is very carefully fed out to us by somebody who is absolutely soaked in it until we get thoroughly bewildered. I have tried to bear that in mind to-night in my lecture, and I want to keep all that detail as far away as possible and give you just a broad, plain outline. Some of you will be able to add to some of the details yourselves, and others may benefit by further studies and find out the way the details fit in.

Comparison of Costing with Departmental Accounts.

In the first place, all forms of costing are really departmental accounts. We have a manufacturer manufacturing several different classes of articles, and he wishes to find out the actual cost of production of one or more or, shall we say each of those articles. Now, practically speaking, he immediately sets up a system of accounts which is nothing more nor less than departmental accounts. A separate department is drawn up for each article. He does not actually split up his factory into different departments unless it is suitable to do so for manufacture, but in the financial records, the principal costing, statistical records, separate items are kept for each of the main commodities. Several of the expenses, as you know, can be applied directly to the commodities concerned, while others, like rent for the factory, have to be spread in various ways. But underlying the whole of the detail there is this main outline of departmental accounts. Sometimes the unit of costing is very small, and sometimes it is very large. An example of the small ones can be given, say by patent medicines. One particular bottle may be the unit, and that bottle may cost no more than 1/- or 1/6. On the other hand, a very large bridge building concern will make each particular bridge its unit, and this, as you know,

A Lecture delivered before the Members of the Institute of Book-keepers at Winchester House, Old Broad Street, London, E.C. 2., on Tuesday, 20th March, 1934.

may cost anything up to £ 3,000,000 or 4,000,000. Those are the two wide extremes —the small unit of a few pence and the large unit of million pounds.

Now I have a personal preference for the larger unit instead of the smaller one. I find it somewhat difficult to conceive various items of expense making up the cost of a small unit where it is expressed in several noughts following a decimal point in pence; I find it far easier to visualise the object under discussion and see its cost being built up when each particular item is of a tangible amount as opposed to hundredths or thousandths of a penny. I think some of you in studying costing will find that advantage as well. The unit I am taking this evening is a sort of half-way unit—not too large to be comprehended and not so small that you will have difficulty in conceiving it. The unit is the department half–year. A departmental store—say Selfridge's or Barker's—very readily falls into departments We know these departments when we go into the store. We think nothing of asking for the Piano Department or the Bicycle Department, and it is found, as a matter of convenience, that it is better to divide it into two half-years instead of a whole year, so that we get the unit of half a year for each department.

The Activities of a Large Store.

Before I go into the details of the accounting side of these departments, it might be well to give you a brief outline of the main activities of the ordinary large store. There are four main groups. First there is the selling department. These are the sections with which we are most familiar. We go through the main door of Selfridge's, and it is the selling departments that we see, but we know that there is something more behind the store than the selling departments

The second main group I should call the factories. Nearly all the larger stores have their factories. They are not very large, but they are quite large enough for their particular purpose, and that particlar purpose usually is the manufacturing of articles of a very exclusive design, articles that can be associated and identified with the particular store and no other store. They also have the function of altering or repairing various articles to suit the individual requirements of particular customers. These factories, incidentally, are usually under dual control —under the control of the factory manager for the running of them, and of the buyer of the selling department for the fixing of design and the amount of output. Take an example: In the gown department of a particular store, a woman comes in and makes a purchase of one gown which she desires to be altered in a particular way. The buyer of the gown department is there, willing to give such aid in fixing the small technical details, and with the buyer's sanction and authority the gown is sent over to the gown factory. The buyer is primarily responsible to the customer to see that the gown is altered exactly to suit the customer's requirements, but the factory manager is responsible for seeing that the staff and

equipment of the factory are capable of altering it to meet both the buyer's and the customer's requirements. That is the second group.

The third group will come under the omnibus heading of "Services"; and it depends largely on the services for the smooth running of the store and the satisfaction of every person entering the store. These services include the engineers and architects for decorating the inside of the store, for repairing the stairways, lifts, and even the pillars and cornice work, say, of the store. Also there is the advertising department, with its two main headings of newspaper and other publicity, and, window dressing and special displays. There is also the 'phones' and the mailing department. The supply of stationery has all to be done in such a quiet, unobtrusive manner that you, as members of the general public entering the store, are not reminded particularly that such a service is going on. But at the same time, a proper supply of stationery must be available for each assistant.

The fourth main heading is that of administration This includes generally the Manager, the Chief Accountant, and the Secretary, with their various staff. It may surprise you to know that in some of these larger stores that heading will cover as many as 2,000 people. You do not see them in the ordinary way, but they are there, working either on the roof or down in the lower basement. If you are a credit account customer and receive your weekly statement within a few hours of the end of the week, you will be forcibly reminded that there is such an organisation, but by merely entering the store you may be aware that there is a Chief Accountant because you come across the brass plate on his door, but his staff you do not see.

Trading Accounts of Selling Departments.

Now turn to the accounts, in the first place with the selling departments the method adopted is quite simple in its essentials. A Trading Account is prepared for each department over a period of half a year. The stock figure is fairly readily obtainable. The purchases made on behalf of the department, the closing stock, and the sales, are usually set out on a very large sheet with a column for each department, and these columns number, according to the size of the store, somewhere between 150 and 250. The total purchases and the total sales agree with the half-year's Trading Account, and the total stock is the figure that agrees with the Balance Sheets at the beginning or the end of the period. It seems quite easy to say the purchases and sales are analysed departmentally, but the work involved is enormus. I have in mind a particular store which has as many as 20,000,000 separate sales transactions in the course of the year. The whole of the sales transactions for one day are classified departmentally, classified alphabetically as regards the credit sales, and taken out ready to be placed on the Chief Accountant's desk by 9 o'clock the following morning. That can only be done by the use of a highly trained staff working right through the night; but it has to be done. The figures are wanted and wanted quickly,

because in the large stores even more than in the small ones, it is news that is wanted and not history.

The Cost Accounts.

To turn to the costing section which in effect is merely a Profit and Loss Account for each department, these Profit and Loss Accounts are prepared under a fixed group of headings, and within a very narrow margin, the same groups of headings are used by each of the large stores in London. I will very quickly run through the eleven main headings in the Profit and Loss Account, and then I propose to go through each of these again separately and describe how the various figures are arrived at. First, Rent; second, Rates, taxes, and lighting; third, Wages and commission; fourth, Printing, stationery and stamps; fifth, Advertising; sixth, Departmental expenses; seventh, General trade expenses; eighth, Repairs and renewals, interest, depreciation —an omnibus item; ninth, Transport; tenth, Office wages and salaries; and eleventh, General staff.

Now it will occur to you that there are a few headings there which do not generally come into a company's Profit and Loss Account. For instance, transport—that is usually buried elsewhere in the smaller companies' accounts, but for a store it is an important item. Office wages, salaries, and general staff usually get pushed in together, and sometimes mixed up with the general trade expenses, but for the purposes of a large store it is desirable to keep those figures separately. Well, those are the eleven main headings, and each of these has to agree with final figures in the financial accounts, because it is one of the essentials of a good costing system that there be a complete reconciliation between the results obtained by the costing system and the results obtained through the ordinary nominal ledger. This is done by arriving at a total figure for each of the main headings and spreading it over all the departments on various bases which I will endeavour to explain to you. When I use the words "departments" there, I mean not only the selling departments but the factories and services—each one separately—and also the administrative section.

1.—Very well, rent is the first one. The whole building used by the store is priced out for rent. The usual method where the property is owned by the Company is to obtain from the local Corporation a rates assessment for each floor. The rating people have their own particular formula for arriving at the rating assessment of the various floors. Naturally it drops as the floors get nearer heaven Well, these figures are obtained, and the total for each floor is divided *pro rata* according to the amount of space taken up by each dapartment. Shall we say, with regard to the third floor the rent assessment is £2,000 per annum There are six departments taking up the bulk of that floor, the extra space being for passage ways and gangways, lifts, shafts, staircases, etc. The whole of that £2,000 is split between those departments strictly in accordance with the area taken up by those departments.

2.—With regard to rates, taxes, and lighting—second heading—that is divided in exactly the same way. That is on the rates assessment for the area taken up by each department.

3.—The third item of wages and commission is obtained by a very detailed analysis of the pay roll. There is a paymaster who has information at his finger-tips for showing in which department each individual of the entire staff is working and a weekly total is readily obtainable of the total wages and the selling commission payable to the staff over each of those departments, and is the basis of this item in the costing section.

4.—Printing, stationery, and stamps: As far as possible this is done on a direct basis. There is amongst the services a house stationery department, and all the purchases of stationery and printing go directly into this house stationery department and that department is charged with them. Whenever supplies are issued from the stationery department to any other department—shall we say, so many thousand manifold invoice books to such and such a department, and so many reams of foolscap paper to the Chief Accountant's department, each article is entered up in detail. It is costed out at a figure slightly above the cost of the paper and printing to cover the wages, rent, and rates, and all the other expenses of the stationery department, and usually the entire cost of the printing and stationery department, including the wages, is successfully spread over all the departments using that service. The stamps, all except those used for the advertising department, are spread on the basis of the sales. It is not a very satisfactory basis, but it is the most suitable without having to go into unnecessary detail. The stamps used for the advertising department are, of course, charged directly to the advertising department which we will deal with under heading No. 5.

5. Now the advertising department has its rent and rates charge, its postage charge and also the various purchases for special displays—shall we say, some new chromium-plated stands are required for insertion in a particular window. The advertising department is charged with that. All the newspaper advertising, the printing of leaflets, the printing of catalogues and their postage is all charged to the advertising department. In a similar way to the stationery department, the advertising department attempts to spread the entire cost of its running, plus its expenses, over all the departments using it, and they attempt to do that by a very detailed record of all the items of expenses. Each time a catalogue is printed—shall we say, 100,000 catalogues are printed and despatched—the total cost of the catalogue is arrived at. A statistical man will go through the catalogue and assign to each department that department's proportion of the cost of the entire catalogue. That is fairly simple. Say it is a 16-page catalogue, and the fur department takes one complete page, it has to be charged with one-sixteenth of the entire cost of the printing and despatching of those catalogues, and so on in proportion to the space used. Naturally there will be a little deficiency for particular items of display that are general to the whole store. Take, for

instance, elaborate electric signs put up for a special Christmas display, or even advertising on Underground trains which just says "Shop at so-and-so". It is very difficult to allocate that at once to a particular department, so that all those items are grouped together and spread over the various selling departments strictly in accordance with the sales turnover of those departments Again, not a very satisfactory basis but the only one that can be adopted without going into great detail.

6. Departmental expenses–item No. 6 is fairly easily obtainable. It is the particular direct expenses, and as a rule does not amount to very much in proportion to all the other expenses We can take examples A particular department allows its buyer to go abroad to buy goods for sale in the coming season. All the expenses of that buyer's trip, including the railway fare or aeroplane fare as the case may be, hotel expenses, etc., are charged as direct expenses against that department. It is mainly items of that nature that come under the heading of "Departmental expenses," the essential difference between departmental expenses and general trade expenses being that departmental expenses are directly allocatable.

7. General trade expenses include a multitude of things. I have a little list here: Insurance, legal and audit fees, the staff clinic, the staff magazine, telephones, lifts, and a score or more of other unallocatable items. But some of these items are partly allocatable. Take telephones. All trunk and toll calls are recorded, and the tolal for the year is charged directly to the department incurring the expense, but the rest of the calls, including the rent of the telephone, is spread over the various departments according to the number of telephones in use. And let me say that that will apply even to the administrative section—not only to the selling departments but to all the departments.

All the other expenses are grouped together and split in accordance with the sales in the sales departments, with a little bias for the service departments which must naturally bear some expense of the staff clinic, staff magazine, and other items of expenditure in regard to things which they have occasion to use from time to time.

8. Item No. 8 is repairs and renewals, interest and depreciation. I will take the first two together, and the last two separately. Repairs and renewals all come under the group of what is known as the House Architects. The House Architects have to bear their proportion of the rent and rates, lighting and taxes of the space they occupy, the wages of engineers and decorators they employ and a proportion of other items of expenditure. Here we get an example of costing within costing. The total expenses charged to the House Architects have to be spread over the various departments using the service of the House Architects, and quite a little ingenious costing system has been evolved to cover that. A job is required to be done. Say a staircase has become a little worn and the General Manager gives instructions that a repair is to be carried out.

Very good The House Architect sends down two or three men to do the work and opens up in a small costing ledger a cost account for that particular job. He allocates to it directly the labour involved in carrying out the repair, and items of expense of a direct nature, such as a new slab of marble, needed to replace a broken piece. The cost of the new marble, less the money received for the old marble is charged and over and above that a percentage is charged to cover the general running of the House Architect's department. The final figure represents the cost of the repair that was needed, and a transfer is made in the books as between the House Architect's department and the department concerned. The total expense of running the House Architect's department is arrived at. That is a little costing system they have in most large stores and it is so satisfactory that within 1 per cent of the total cost of the running of the House Architects and Engineers is successfully spread over the work that has been done. So much for repairs and renewals.

Now interest and depreciation. Many words have been said as to the inclusion or otherwise of interest in cost accounts, and I am not prepared to enter into any argument as to the pros and cons of the inclusion of interest. I will just give you a definite statement of the way it is done in at least one large store, and I believe it is the method which is adopted in the great majority of the concerns, at any rate in London. Interest is charged to each selling department on the average value of the stock it carries. By way of justification, I might add that some departments will have a very small stock. Shall we say the restaurant or cafe, who will sell out at least all edible food every night and start the following morning with only a few tins of condensed milk, so to speak On the other hand, there is a silver and jewellery department which may carry a stock running well into five figures and not turn that stock over with any degree of rapidity. By another series of statistics and estimate is arrived at each week of the actual stock held in each department, and from those figures a figure is arrived at for the average stock in each department throughout the half year and a small rate per cent is charged on that average stock to cover interest

The last item in this omnibus heading is depreciation, and be it said to the credit of most large stores, depreciation is not done by guess work. Depreciation is an important item and covers not only the building but the various machines in use in the factories and small items of plant that are actually on the floor of the selling departments, even large show-cases, have to be taken into account. They are valuable stock—not stock in trade—and have to be depreciated to allow for the time when they will fall to be renewed. Most of the large stores have a very full and complete plant register, and this plant register covers rather more than plant and has to be set out in great detail. I think most of you will be familiar with the usual lay-out of a plant register in column form, starting off at the extreme left with the total value of the plant. Above that are a few notes as to the expected life of the plant and the expected scrap value at the

end of that life. Starting away from the left, where we have the total column, the next column will show you the depreciation for the first half year, being arrived at from the total expected life of the machine divided into the cost of the machine. The third column will give you the book value of the plant, after allowing for the first half-year's depreciation, and so on, until at the expected end of life of the machine, the book value is nil, or, in the case of some of the machines, the book value is the estimated scrap value. A plant register like that is in use and has proved very successful. At any rate, it does away with the accusation that depreciation is merely guess work.

9. The ninth item is transport, and it is made up of several lesser items. First, most large stores have their own fleet of vans. You see them on the streets in London. Secondly, there are goods sent long distances by rail. Thirdly, deliveries by outside carriers in areas where the stores' own vans do not deliver regularly, and lastly the mail. Those four headings are grouped together and the basis on which they are spread over the departments is rather interesting. A figure is arrived at by taking the total sales of each department and deducting therefrom all goods that are sent direct from the manufacturer to the customer, because naturally the store does not pay for transport of such goods. A customer will go into a shop and order, say, a special set of china, which is only obtainable from a certain manufacturer. An order is given to the manufacturer to supply the article and the article is sent direct to the customer. It never entersthe store premises.

Also one half the wholesale trade. *Pro rata* the cost of transport on a large quantity of goods is less than on a small quantity. The fourth deduction is for staff sales. In most stores that amounts to a very large figure. You can realise that in some of those stores the staff will number nearly 10,000, and 10,000 prospective buyers on the premises all day long means a fairly large figure for staff sales and the staff carry their own goods away.

The last item is sales by the restaurant or cafe. Naturally no transport is paid in respect of these. On this reduced sales figure, as we may call it, a rate per cent is charged to cover transport, and it varies according to the department from a fairly heavy figure for the jewellery and fine arts, to cover the extra cost of packing and insurance, to a fairly low figure for the hardware department where goods can be bundled on to a van almost unwrapped and delivered in that condition. The varying rates have a fairly wide range, the most expensive department paying roughly from three to four times as much per cent as the cheaper charge departments.

10. Item No. 10 is wages and salaries. That is spread on a purely arbitrary basis by the very nature of the item. It is not unknown for someone to go into a store and buy a grand piano for £600 or £700, go into the next department and buy a wireless set for £35 or 40, move on to other departments until their purchases are somewhere near £1,500 and deposit a good cheque. At

the other extreme, you have a woman going into a shop, buying a hat for three guineas and giving the Chief Accountant's department at least three months' trouble in collecting that three guineas. Such cases may happen in almost every department. The division as between the selling departments and the office charges and salaries must be on a thoroughly arbitrary basis. I had better mention the way the figure is come to. Those wages and salaries include all the expenses of running the Chief Accountant's department That will include the rent, rates, and lighting of all the floor space taken up by that department, all the wages, the depreciation of all the office machinery, which is a very large item, the repairs and renewals of the office rooms and the stationery supplied—even the advertising of situations vacant when they occur. The whole of that item is spread at a different rate per cent per department. One method that is adopted is to allocate to each department a sort of fixed amount. You say "The furs department is going to be charged for the next half-year £200 for wages and salaries, etc.," another department five times that, and so on, and the balance left over, if any, will be spread according to the sales of the various departments—thoroughly arbitrary, but by reason of the illustration I have given no fixed method can be adopted for this item.

11. The last one on the list is general staff, which includes the Secretary and his staff, the Registrar's department, the General Manager and a few other executive officials. In bulk, this item is quite small in proportion to the total expenses and is spread in accordance with the sales of each department.

Adjustments for Reconciliation.

That is the method of spreading each of the eleven headings of the Profit and Loss Account, but there are one or two adjustments that are necessary before the total figures now arrived at for the departments agree with the financial books. The first one is in connection with rent. You saw that we charged the rent on the basis of the rates assessment but of course a large part of the property may be owned by the store and consequently no rent is payable. An adjustment is made to cover that. A figure is arrived at, and is known in the cost accounts as the rent adjustment figure. It is the total of all the rent charged to all the departments, less the actual rent paid. The resultant figure then we can call rent that has been charged to departments in excess of rent actually paid. The second item for adjustment is the one concerning interest that was charged on stock. That is, on the stock carried by the various departments. That figure of interest is totalled up and becomes another item of adjustment-interest adjustment—and the final result, including these two items, is a complete reconciliation between the cost accounts and the financial accounts.

Recapitulation.

Just let me recapitulate. We started first with the usual trading accounts for each department The total purchases according

to these individual trading accounts equals the total purchases according to the financial accounts. The total sales right away across all the 150 or 250 trading accounts will equal the total sales of the entire stock, and the opening and closing of the stocks totalled together will equal the total opening and closing stocks according to the Balance Sheet. All the individual items of the Cost Account will equal in total each of the main headings in the financial Profit and Loss Account. That is after allowing for the rent adjustment and the interest adjustment. If only for that reason, I think that study of this particular form of costing is most useful. Most other forms of costing have items over, items short that can never be really reconciled and adjustments must be put through to make the figures balance. But almost any accountant can make figures balance by putting in adjustments The essence of costing is to keep those adjustments small and computable and if they must come in you should at least know exactly how they are made up.

Costing in the Factories.

Just a word about the costing that is used in factories. It is very simple in form, because by the nature of the service rendered by the factory, a large percentage of profit is possible. If you go into a store and ask for a chair, say of a very exclusive design, you have to pay for that design. You are not only paying for the manufacture of that chair—the bare cost of manufacture —but also because there is a large shop there willing to devote its attention to supplying a chair, and in view of that there is no real need to keep a very particular watch on the costing of the factories. It is not the same as a highly competitive trade, as I believe the wireless set manufacturing industry is at the moment, where, as I heard quite recently, the entire profit consists of the sale of the scrap from the manufacture of the sets. For cases like that you must be certain to have a carefully planned and intricate costing system that will tell you exactly what your cost per article or group of article is. But in the factories connected with the larger stores, those circumstances do not arise, and just a simple system with a fair margin for error is suitable.

Uses of Information Obtained

Now information of these costing accounts is obtained and is duly presented to the management upon a form which usually consists of two or three very large sheets of paper. One I have in mind is some four feet long and eighteen inches or so wide. They have a vertical column for each item and on a sheet of that size you can get anything up to 100 departments. The management receives this form and it is rather interesting for us to see in what way the information which is given there is used, because actually it is no good costing accountants and ordinary clerks concentrating their attention to get this information if it is not used. But this information is used. First, it is used in the comparison of departments, one with another, to see which department is heavy on general trade expenses, which department is heavy on purchases in proportion to sales, and so on It is used for comparing the results of departments with the results of the same departments for the previous half-year, and even going back as many as four, five, or six

half years in order to arrive at a trend, to see which item of expense has varied most and then institute enquiries to see why; see if the rate of profit is keeping much the same, and if not, why not. At the beginning of each half-year, estimates are prepared for the then ensuing half-year. The various results for past half-years can be used to form a basis for those estimates, and a very useful basis they form. These results can be used as a basis with the estimates, and at the end of the half-year it is possible to compare the actual result with the estimate made at the beginning of the half year Or again, it may be used for enquiring into any large discrepancies one way or the other.

Another use is made of the information. It may not be common knowledge that there is a department of the Bank of England that is concerned almost entirely with obtaining information from the larger stores—selected stores—right throughout this country, which information is given to them in a summarised form. These are all very carefully classified and summarised in accordance with areas that is to say, into smaller areas and larger areas Now it is very convenient for any one store to be in a position to compare its own individual results with the total results of other stores That would, of course, include its own. Any distinct drop, say, in the profit of one department where other stores are showing an increase, would be enquired into. The buyer would probably be called on to the carpet and asked to explain and it would be no good him saying that trade was bad, because there would be a figure showing that his competitors had shown an improvement on that figure. That particular comparison is one of the most useful to which these cost accounts can be put.

Forms and Books in Use.

A few words now on the forms and books that are actually in use. Most of the stores use mechanical accounting machines to a very great extent, and you can understand that when you realise the very large number of items that are dealt with almost every day, or at any rate in the course of the week. You may have as many as 150,000 open current trading accounts with customers, each one of whom has to receive his statement weekly. There may be as many as 50,000 or 60,000 bought ledger accounts, each one of whom has to be paid fairly quickly to save the credit of the concern. Naturally that cannot be done without a very large staff using some of the most up-to-date forms of mechanical accounting machines. Most stores find that their accounting machines and the organisation of their counting houses is so effective that when the business week closes on the Saturday, by the following Wednesday all the transactions over the past week have been fully entered in the ledgers; all the purchases have been entered through the purchase books; all the sales have been entered through the sales ledgers, and the whole balanced up by Wednesday mid-day, and at the same time an estimated Profit and Loss Account for the entire organisation can be available for the Directors by the middle of the afternoon on Wednesday. That I think, reflects great credit on the people who have been responsible for the building up of

the counting houses connected with these large stores and shows a very distinct improvement over the methods adopted by the smaller shopkeepers, most of whom have very little idea of the way they stand within three months of the end of the year, and that is dependent on the good graces and quick attention of their auditors or accountants.

The nominal ledger of most of these stores is really in the form of a cost ledger. A separate account is opened for each department and all the direct expenses to which I have referred—those expenses of the house architects, house stationery etc.—are immediately charged to the department concerned and credited to the house stationery department, or whatever it may be. The total sales for each week which are arrived at departmentally are posted to the cost accounts for the department, and in total they agree with the figure that goes through the financial books and so on right through all the string of items of expenses until at the end of the half year each sheet—that is, each departmental cost account—gives you a summary of the position at the end of that half-year. Of course, the various items that I told you had to be separated in accordance with the sales are not arrived at until the very last minute, but that last minute is considerably earlier than in most other concerns. Most large stores end their half-year on 31st January, and their accounts are available within about fifteen days of that. I know from personal experience that that often means working well into the night, just to finish off these various departmental cost accounts and to bring together all the information available on these large sheets, and finally cross casting and proving with the financial accounts, and then submitting them for the Chief Accountant's scrutiny and comment

I think, in conclusion, I would like to read to you a portion of the speech recently made by the Chairman and Managing Director of Harrod's, Ltd., Sir Woodman Burbidge. He said:—

"Reviewing generally the very important question of expenses of a large retail distributive business such as ours, we have always regarded it as essential to our progress and success to maintain a close and constant scrutiny over all operating expenses. In our case we prepare most carefully every half-year a budget of expenses dissected to the smallest detail. In this way we ensure the soundest economy consistent with the greatest efficiency.

I have seen recently a suggestion in an article in 'The Times Trade Supplement,' from the pen of an eminent contributor, that 'Retailers generally know little about the inner working or analysed details of operation covered by the words "cost of sale and distribution".

It would be unfortunate if this very erroneous impression were to gain general acceptance. As a matter of fact, minute subdivision and control of operating costs which as far as I know, has no parallel in manufacturing industry, has been the established practice of our house and other departmental stores for many years.

In addition to this individual control, the figures of a large number of the most important stores in the country are pooled for analysis and comparison. Aggregate figures are compared as between London and the provinces by size of turnover as well as by class of trade. I venture to suggest that if other industries were similarly equipped and evidenced the same willingness to co-operate in these essential matters an important contribution would be made to the relief of the trade depression."

(Applause).

The Institute of Book-keepers' Journal.

British India.

TRADE BALANCE AND IMPORTS 1933-34.

India's visible balance of trade in merchandise and treasure during the twelve months April to March, 1933-34, 1932-33 and 1931-32, is shown in the following table, provided in a Survey (*a*) of the Import Trade of India prepared by H. M. Senior Trade Commissioner in India. The figures are arrived at by combining the balances of of transactions in (1) private merchandise and (2) treasure (private account). The balance of remittances of funds is also shown with details at the end of this table. In these balances the sign plus (+) indicates net export and minus (−) net import.

Item	Twelve Months, April-March		
	1933-34	1932-33	1931-32
	Rs. (lakhs)	Rs. (lakhs)	Rs. (lakhs)
Exports of Indian merchandise (private) ...	+ 146,31	+ 132,41	+ 155,89
Re-exports of foreign merchandise (private) ...	+ 3,42	+ 3,22	+ 4.66
Imports of foreign merchandise (private) ...	− 115,02†	− 132,27†	− 125,72†
Balance of trade in merchandise (private) ...	+ 34,71	+ 3.36	+ 34,83
Gold (private)*	+ 57,05	+ 65,53	+ 57,98
Silver (private)*	− 1	− 73	− 2,59
Currency note (private)	+ 19	+ 13	+ 26
Balance of transactions in treasure (private)* ...	+ 57,23	+ 64,93	+ 55,65
Total visible balance of trade	+ 91,94	+ 68,29	+ 90.48
Council Bills, purchases of sterling and other Government remittances to the United Kingdom ‡ ...	− 59,97	− 48,18	− 53,04
Sterling transfers on London sold in India ...	− 59,97	− 48,18	+ 18,98
Transfers of Government securities	− 11	− 13	+ 6
Interest drafts on India in respect of Government of India securities	− 36	− 32	− 32
Balance of remittances of funds	− 60,44	− 48,63	− 34,32

(*a*) Survey of the Import Trade of India for the Fiscal year April 1, 1933 to March 31, 1934. including an extract from the Ceylon Administration Report for 1933 (Customs and Shipping). A copy may be obtained by United Kingdom firms interested on application to the Department of Overseas Trade, 35, Old Queen Street, London, S.W. 1 (Reference C. 4294 should be quoted).

* These exclude transactions which do not enter into the balance of trade.

† Exclusive of the value of Railway materials (Rs. 65 lakhs, Rs. 31 Lakhs and Rs. 36 Lakhs in the twelve months April to March, 1931—32. 1932—33 and 1933—34, respectively), imported direct by State Railways working under Company management which was not paid for in ordinary way and not, therefore, taken into account in arriving at the balance of trade.

‡ This head includes, in addition two Council Bills (1) Sterling purchases in India and (2) payments in India to Local Bodies, etc., against proceeds of sterling loans floated by them in London and taken over by the Secretary of State.

During the twelve months ended March 1934, the value of imports decreased, as compared with the corresponding period of 1933, by Rs. 17 crores, or 13 per cent., amounting to Rs. 115 crores, and total exports, including re-exports, rose by Rs 14 crores, or 10 per cent., to Rs. 150 crores. Exports of Indian merchandise showed an increase of Rs. 14 crores, or 10 per cent., and re-exports also rose by Rs 20 lakhs, or 6 per cent. The grand total of imports, exports and re-exports amounted to Rs 265 crores, as against Rs. 268 crores, a decrease of Rs. 3 crores, or 1 per cent.

Imports of treasure (private and Government) declined by Rs. 1,03 lakhs to Rs. 1,96 lakhs Gold bullion decreased by Rs. 5 lakhs to Rs. 83 lakhs, sovereigns and other British gold coin by Rs. 16 lakhs to Rs. 24 lakhs, and other coined gold fell by Rs. 18,000 to Rs. 2½ lakhs The value of silver imported decreased by Rs. 81 lakhs to Rs. 82 lakhs and imports of currency notes rose by Rs. 12,000 to nearly Rs. 4½ lakhs. Exports of treasure decreased by Rs. 5,10 lakhs to Rs. 65,57 lakhs Exports of gold amounted to Rs. 58,15 lakhs, as against Rs 66,84 lakhs in the preceding year.

Continued Recovery in United Kingdom Trade

In the survey for the year 1932-33 it was pointed out that the continuous decline in the share of the United Kingdom in the import trade of India had at last been checked and an advance recorded from 35.4 to 36.8 per cent. This steady process of regaining lost ground proceeded during the year 1933-34. Notwithstanding a reduction in the total imports of over Rs 17 crores, resulting from a continuance of the depression which pervaded the Indian market, imports from the United Kingdom only fell by Rs 1.2 crores and her share of the total import trade rose from 36 8 to 41 2 per cent

This most satisfactory improvement in the relative position of the United Kingdom in the trade of her most important export market was accomplished in spite of a reduction of Rs. 3⅓ crores in imports of British piece-goods. It is most encouraging to note that where the Ottawa preferences have operated the United Kingdom relative position has been improved, and, in many cases, shipments of United Kingdom goods have actually increased in face of a greatly reduced trade. The following are a few of the items where the influence of the Ottawa Trade Agreement is noticeable:—

Commodity	1933—34	1932—33	Commodity	1933—34	1932—33
	Rs. lakhs.	Rs. lakhs.		Rs lakhs	Rs. lakhs.
Provisions...	151	139	Steel tubes	38	28
Hadware ...	97	91	Steel hoops and strips	16½	10
Motor cars...	106	80	Wrought copper	38	28
Motor lorries etc.,	12½	10	Lubricating oils	26	21
Pedal cycles	62½	52	Paints	46½	43
Pneumatic Motor covers	71	45	Woollen piece goods	57	52
Pneumatic cycle covers.	15	12	Electrtcal apparatus	130	121
Galvanised steel sheets	98	87			

All the above items are subject to preferential rates of duty. Under many other headings where preference is accorded, the relative position of United Kingdom goods has been improved notwithstanding a material decline in the total trade In items where preference is not granted mention should be made of an increase in imports of British sugar machinery from Rs 91½ lakhs to Rs. 196 lakhs.

Competing Countries' Shares in the Trade.

In the following table will be found the imports and the percentage of the total trade in the case of leading competitors:—

Country	Twelve Months—April-March			
	1933-34		1932-33	
	Rs. (lakhs)	Per cent.	Rs. (lakhs)	Per cent.
Germany ...	8 89	7·7	10,38	7·8
Belgium ...	2,66	2 3	3,41	2·6
Italy	2,91	2·5	3,94	3·0
Japan ...	16,35	14·2	20,47	15·4
UnitedStates	7,16	6·2	11,25	8·5

The fall in total imports from Japan is remarkable, and is mainly accounted for by a reduction of Rs· 3½ crores in imports of Japanese cotton piece-goods and a drop of Rs. 1¼ crores in artificial silk goods, which tends to show that the high import duties have had their effect· Germany has lost ground in such typical items as hardware, yellow metal and copper sheets and many other items in the bazaar trade; she has suffered partly from the competition of European countries which are off the gold standard but mainly from the competition of Japan The further heavy fall in imports from the United States is accounted for by a drop in those of American raw cotton of over Rs. 3 crores. The fall in the exchange value of the dollar improved the American competitive position in the latter half of the year, resulting in increased importations of motor vehicles, hardware and machinery. Italy has suffered from the high rates of duty imposed upon foreign textiles.

Details of Imports from Chief Sources·

Imports into British India from the United Kingdom and the principal competing countries are dealt with in detail in H. M. Senior Trade Commissioner's Survey· The commodities covered include textiles; machinery and millwork; iron and steel; hardware; instruments, apparatus and appliances; leather; paints, provisions and oilman's stores; paper and stationery; liquors; apparel and footwear; chemicals and drugs; dyes; glass and earthenware; and motor vehicles and tyres and tubes.

Empire Cotton Growing Corporation.

ANNUAL REPORT FOR SEASON 1932-33.

The Thirteenth Annual General Meeting of the Empire Cotton Growing Corporation was held, on June 14, at Millbank House, 2, Wood Street, Millbank, London, S W.1.

The Report states that while it cannot unfortunately be said that the past year has

brought any relief to the depression from which the cotton industry in this country has suffered for the past decade, it has at all events served to indicate the possibility that Lancashire may find it advantageous in the future to draw upon Empire resources for an increasing proportion of her requirements of raw cotton.

Last year the Corporation were able to report a record crop from the more recently developed Empire cotton fields (i.e. not including India). This year that record has been surpassed, and the output from those countries has reached half a million bales. At present this figure still represents only a very small proportion of the world's cotton crops, but the future holds possibilities which may well become of importance. In 1932-33 the American crop amounted to roughly 55 per cent. of the world's crops, and this season, though that crop is itself very slightly larger than that of 1932-33, the cotton crops in the other comparatively large producing countries showed considerable increases, with the result that the American crop is only likely to account for just half of the world's supply in the season 1933-34. Neither the immediate nor ultimate effect on world supplies of the Cotton Restriction Scheme in the United States are matters on which anyone will care to prophesy. World confusion renders such a task impossible. The only possible policy is for the Corporation to pursue its work.

Apart from the possibility of increased Empire supplies of American-type cotton, there are prospects of a greater consumption in Lancashire of Indian cotton. The efforts that are being made to promote this object have been fully discribed elsewhere, but it may be recorded here with satisfaction that in the official estimate of this year's Indian crop the increase over last year's figure is due entirely to larger crops of the longer stapled varieties.

If hopes are realised and the Indian and other Empire growths form a steadily increasing proportion of the world's supplies in the near future, it is incumbent on the Corporation to spare no effort to secure that their quantity is, so far as possible, adequate, and their quality in every respect suited to the increased demands that Lancashire may make on them to meet her requirements.

INCREASES AND DECREASES IN CROPS, 1929—33.

The table of Empire crops on page 921, which has been extracted from one at the end of the Report covering the years 1922-33, shows that the total production for 1932-33 beat the previous year's record, and for the first time exceeded half a million bales; examination of the details brings out some interesting points. Firstly, the Sudan crop is down by nearly 100,000 bales—a fall of over 40 per cent. The principal contributing causes are alluded to in the Report; the climatic conditions were unfavourable generally, largely, it is believed, on account of the heavy rains at and before planting time, but the direct effect of rains at this time on the plants in their later stages still remains to be discovered. Secondly, as a counterbalance to the drop in the Sudan crop, Uganda reported a corresponding

increase of over 40 per cent., an additional 87,000 bales.

In the next place, it is interesting to note that generally, in those countries in which decreases have to be recorded, e.g. South Africa, special causes were operating. In South Africa, where cotton is grown by white farmers, the extremely low prices prevailing at planting time made it practically impossible for it to be grown at a profit, having regard to the high costs of production compared with those of the crop produced by natives on their own small holdings.

In the West Indies there was general agreement among the cotton-growing islands to curtail their acreage, owing to the difficulty experienced in finding a market for Sea Island, of which stocks from previous seasons remained unsold in this country on account of the small demand for this high-class speciality.

Other features of the table are the steady recovery in the output from Tanganyika and the increase in the Nigerian crop, which is as striking as was its drop in the last two seasons.

Queensland also has recovered to approximately its production of three years ago. There the Government bounty is probably an important factor in deciding the acreage planted. though naturally it is mainly the the weather which determines the yield which that acreage will give. In spite of a difficult season, the yield was considerably higher than that of the previous year, and the acreage was also increased.

EXTENSION OF ASSISTANCE TO GROWERS.

The various means whereby the Corporation are endeavouring to assist cotton production are gradually being extended. In the early years the first requirement was to strengthen the agricultural departments of many of the existing or potential cotton-growing parts of the Empire. This the Corporation endeavoured to achieve by building up a staff of their own and by providing for the advanced training of specialists and agriculturists to be attached to one or other of the colonial departments of agriculture. The Corporation paid the salaries of these supplementary officers for the first few years, and they were then absorbed into the regular departmental establishments. Thanks to the adoption by the Colonial Office of a scheme of agricultural scholarships on the same general lines as those of the studentships by means of which the Corporation trained their own junior staff, the quality of the personnel of the Government Agricultural Departments has been strengthened, and the great majority have now passed through the specialised course of training which the agricultural scholarship scheme provides.

In addition, by this time the agricultural requirements of cotton as a crop, and the problems associated with its cultivation, have been more fully worked out, and their nature

is now generally recognised, although they are still far from being solved.

As a result of these two factors, the Corporation feel that, so far as the provision by them of additional funds can aid in the solution of problems bearing on the development of cotton cultivation, many of the agricultural departments are now sufficiently well staffed to be able to apply those funds to the best advantage. In certain recent instances, therefore, when the Corporation have been approached to assist a definite scheme for the development of cotton-growing, they have agreed, if they approve the scheme after careful examination of its details, to provide part of the expenditure that the scheme involves, for a definite period of years, in the form of a grant to the Government concerned, subject only, as a rule, firstly to an undertaking by the Government that they will not reduce their own expenditure on cotton during the period; and secondly, to the receipt of progress reports, and to the right of periodic visits of inspection by senior members of the Corporation's expert staff.

Where this policy is practicable it obviates the many disadvantages of control divided between the Corporation and the local Department of Agriculture· Risk of friction is avoided, and at the same time it is secured that whatever may be the scheme for assisting cotton-growing that the Corporation are helping falls into its place as an integral part of the whole agricultural policy of the country in question. To this point the Corporation attach considerable importance; they hold the view that the extension and improvement of cotton-growing cannot have a normal and healthy development if it is merely an agricultural tour de force, but can only fully succeed if the crop can be included economically in whatever balanced rotation those responsible for the agriculture of the country are satisfied is that best suited to local conditions and calculated to improve the position of the cultivators.

The Levy

Shortly after the last Report was written, the Cotton Industry Act, 1933, passed through all its stages in Parliament. This Act, which replaced the Act of 1928, fixes the rate of the Spinners' Levy, the proceeds of which are payable to the Corporation, at 1d. per 500 lb. of cotton. Under the former Act the rate of the levy was 3d. per 500 lb. of cotton, or such less rate as the Corporation, with the approval of the Board of Trade, might fix in respect of any year. Actually the rate of the levy has been fixed at 1d since 1930, and the new Act makes this the maximum rate for a period of five years·

Use of Indian Cotton in this Country

Mention was made last year of the formation of a Committee consisting of representatives of trade organisations in Lancashire, with Sir Richard Jackson as Chairman, whose aim would be to promote

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the greater use of Indian cotton in this country. During the year this Committee, among its other activities, has been engaged in demonstrating to spinners and manufacturers the possibilities of Indian cotton with a view to its increased use by Lancashire mills. The Manchester Chamber of Commerce has also issued under the auspices of this Committee a list of spinners who were making, or were prepared to make, yarns composed wholly or in part of Indian cotton. In the circular sent with this list the Chamber pointed out that there was evidence from brokers and spinners of demand for Indian cotton from new quarters, while several merchants who had introduced Indian yarns into their standarad lines expressed themselves as being thoroughly satisfied.

Sir Richard Jackson has recently paid a visit to India to see for himself the work that is being done there on the production and marketing of the crop, and to establish personal contact with the Indian Central Cotton Committee The Committee has also sent a Commissioner to reside in India, in order to maintain contact with Indian cotton producing interests.

Imports of Indian cotton into the United Kingdom during the last three years have been as follows:—1931, 1056,828 centals (of 100 lb.); 1932, 536 910 centals; and 1933, 1,098,486 centals.

The final cotton forecast for the season 1933-34 shows an estimated area of 23,739,000 acres, with a probable production of 4,970,000 bales. Both the area under cultivation and the yield show an improvement over the revised figures of last year, which were 22,125,000 acres and 4,437,000 bales.

Conference of Workers on Cotton-Growing Problems.

The Corporation have decided to hold a second Conference, similar to that which was held in 1930, which workers on cotton-growing problems from various countries have been invited to attend, as well as those engaged on work in this country involving cognate problems. The Conference will be held in London on July 18, 19 and 20, and it is hoped that it may be possible for several members of the Research Station Committee to be present, thus enabling members of the staff who are at home on leave to meet those who are good enough to act as the Corporation's advisers on scientific problems.

At the time when the Report was written advice had been received that 15 cotton-growing countries would be represented. In addition, representatives will attend from Cambridge and Manchester Universities, the Imperial College of Science and Technology, Rothamsted Experimental Station, the British Cotton Industry Research Association and the Imperial College of Tropical Agriculture. The procedure will be generally similar to that of four years ago. Those who propose to submit papers for discussion at the Conference have been asked to send their papers in advance, so that they may be circulated with the agenda. No papers will actually be read at the Conference itself, in order that the whole time may be

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available for the interchange of views, but the author of each paper will be invited to open the discussion on it.

EMPIRE COTTON CROPS FOR THE YEARS 1929-33, EXCLUDING INDIA

The seasons are given as covering two years (e.g. 1929-30) because in the majority of the countries named planting takes place in one calendar year and picking in the next. In a few of these countries, however (e.g. Tanganyika, Iraq, Cyprus, Malta and some of the West Indian Islands), the crop is harvested in the same year as that in which it is planted. In such cases the figures should be read as relating to the crop grown and harvested in the *latter* of the two years at the head of the column.

Country	1929—30	1930—31	1931—32	1932-33
	Bales of 400 lbs.	Bales of 400 lbs,	Bales of 400 lbs.	Bale of 400 lbs.
Anglo-Egyptian Sudan	157,769	120,310	234,964	137 384
Uganda ...	129,969	191,305	203,265	294,828
Kenya ...	1,518	800	1,735	3,037
Tanganyika ...	23,135	11,351	18,039	28,490
Nyasaland ...	9,331	4 205	5,067	5,942
Southern Rhodesia	1 481	1,974	579	355
Union of South Africa and Swaziland ...	16,213	8.123	2.801	1.860
Nigeria ...	43,925	18,850	6,268	24 366
Gold Coast ...	200	297	263	68
Cyprus ...	4,718	2,865	1 119	913
Malta ...	293	201	41	34
Iraq ...	3,300	960	409	—
Ceylon ...	248	95	52	—
Queensland ...	13.999	12.228	4,975	13,903
Fiji ...	398	266	90	8
West Indies ...	5,672	5,106	2,524	2.614
	412,169	378,936	482 191	513.802
	Percentage Decrease 11.3	*Percentage Decrease* 8.0	*Percentage Increase* 27.2	*Percentage Increase* 6.5

The Board of Trade Journal.

'Administrative Mechanisation.'

BY

K. S. SRIKANTAN, M A, F.R. Econ. S. (Lond.)

Machinery has revolutionized the industry of the world. In fact, it is solely responsible for the high state of our civilisation. Rationalization and standardization have become household words. In brief, there is hardly any productive actitvity which has not come within the orbit of machinery. It is however, strange—very strange—that while there has been general consent to the mechanization on a scientific basis of the productive side of business undertakings, the improvement of the office has not been treated with the same enthusiasm for progress. In fact, mechanization of office is still in its infancy. Mere mechanization of the productive side of an industry, without a corresponding mechanization of the office work would be like water pouring off the duck's back. The strength of the chain is the weakest link. If speed is the object of mechanization, then, the way in which we are proceeding is clearly wrong. The old methods of office work which still persist take away whatever gain there is in the way of speed in productive mechanization. Excessive mechanization on

the productive side to the utter neglect of the administrative has caused a lopsided development in our industry. The present method of book-keeping, costing, statistics and sales analyses are conducted in such a way that they are just good enough for our great grandfathers.

We have only to look to America to realize what I mean by mechanization of the office America, in fact, is far ahead of the rest of the world in the use of every form of office robot from the machine that keeps a customer's account to the machine that produces costings and estimates in an incredibly short space of time. To an up-to-date American office manager, any office in India would look like a museum of past relics

Standardization and rationalization of industry have greatly increased both the volume and complexity of accounting and and statistical work. The most successful firms to-day are those which realize that the old rule of thumb-methods are out of date. Compiling figures by hand is an impossibility. It is certainly pitiable to see such work being carried on by human beings in the face of this remarkable progress.

A great deal of office work which could be handled more cheaply and efficiently by machines is still done by hand The Adding machine, the Automatic Balance Machine and the Tabulating Machine have released human energy for better kind of work. But few are the offices which have made a thorough study of these recent devolopments Many offices which have introduced certain machines consider themselves mechanized simply because they do a certain amount of calculating and adding by machines. To speak the truth, these are introduced in such a way that they do not interfere with the old system of accounting and are merely aids which do not really effect any great improvements. The progress of the accounting machines in the European countries is so remarkable that mere arithmetical functions have become very insignificant. They are now developed to such a degree that they are able to perform combined operation and have thus almost eliminated pen and ink.

Besides a gain in speed mechanization of the offices has several other advantages. Every machine is able to produce several copies at the same time; human error which is an important factor in manual work is largely eliminated in the machine systems; it is also easier to locate errors in a properly designed mechanized office than in one using old fashioned methods.

In the light of the above advandages, it is needless for me to point out that to carry on the office in an old-fashioned manner in this age of competition is a great danger. Almost all our competitors are adopting mechanization in the office. Now that India is on the threshold of rapid industrialization, it is but just that an appeal should be made in the columns of your journal to mechanize the office work.

Sale of Goods.

(INDIAN LAW)

BY

B. G. BALAKRISHNAN, FINALIST : C. R. A. (Glas.) D. Com. I. M. C., etc.,

(Continued from page 217 of July 1934 issue.)

Where an agreement has been entered into for the sale of certain goods, but the seller has, under the agreement, to do something to put the goods in a deliverable state, then the property in the goods together with the attendant risks, etc., does not pass to the buyer, until the goods are put in a deliverable state and the buyer is given notice of having done so Thus, if certain goods under a contract are to be packed in suitable cases or have to be weighed, tested or measured, the property does not pass to the buyer untill they have been packed, weighed, tested or measured, as the case may be, and the buyer has notice of the same. It will thus be seen that, in such cases, not only are the goods to be put in a deliverable state by the seller, but the buyer is given notice of the fact. If, before the buyer is given notice of the seller's having put the goods in a deliverable state, the goods perish, or are destroyed, the loss falls on the seller, as the property has not yet passed to the buyer.

If, *at the time the contract of sale is entered into.* the goods had perished (or were non-existent) or were so damaged as not to answer to the description in the contract and the seller was not aware of this, the contract is void, and consequently, the buyer cannot sue the seller for breach of contract. The same is the result, if the goods referred to in the contract perished subsequently i.e., after the agreement is made, without any fault on the part of the seller or the buyer.

The price of the goods may be agreed upon at the time of the contract; it may be a fixed sum or rate, or it may be determined by course of dealing between the parties, or may be left to be fixed by the valuation of a third party. If nothing as to price was agreed upon at the time of the contract, then a reasonable price, should be paid by the buyer. What is a reasonable price, is obviously dependent upon the circumstances of each case. The market price (wholesale or retail, as the case may be) of goods similar to those referred to in the agreement, on the date and at the place where the contract is to be performed, may generally be taken as a " reasonable price."

Where, under the agreement, the price has to be fixed by a third party, and such third party does not make the valuation, the agreement is avoided, and neither party is bound by the agreement. If, however, buyer has taken the goods or part thereof, and appropriated the same to himself, he will have to pay the seller a reasonable price therefor. In cases where the third party is prevented from making the valuation

by the fault of the buyer or the seller, the party not at fault is entitled to get damages from the other party. (Vide Section 10 (2) of the Act.)

It is not uncommon that many stipulations are fixed with reference to the goods, in the contract of sale· A stipulation may be either a *Condition* or a *warranty*. If a stipulation is essential to the main purpose of the contract, and is agreed upon as a fundamental feature, it is called a condition, and if it is not fulfilled, the party not at fault has the right *to treat the contract as repudiated.* A stipulation which is not essential, but only collateral or subsidiary to the main purpose, is called a warranty the breach of which gives rise to a *claim for damages,* but not to reject the goods and treat the contract as repudiated. Whether a stipulation is a condition or a warranty has to be determined by the circumstances of each case. Thus, an important and essential stipulation may be referred to as a warranty in a contract; but, looking to the nature of the stipulation, the term "warranty" would only be a misnomer, as the stipulation is, in fact and in essence, a condition, the non-fulfilment of which entitles the party not at fault to avoid the contract. Simlarly, it is conceivable that a minor stipulation may be called a "condition" in a contract, without knowing the implications of the term 'condition' and in such cases, it will be held merely as a warranty. In all cases, regard should be had to the intentions of the parties and the surrounding circumstances to determine whether a stipulation is a condition or warranty.

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Government Technical Examinations—April 1934.

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Candidates must first be told that they are to take down in shorthand the notes of imaginary letters and documents that will be dictated to them, and that they are to elaborate the notes in longhand into proper documentary form for signature. As soon as the candidates are ready, the following must be dictated at the prescribed speed :—

A travelling circus desires to visit your town and its proprietor has written to you asking you to furnish him with particulars of three alternative sites. Write a reply telling | him the location of three sites, the terms on which they can be hired, giving the name of the authority to whom he must write for permission to give public | | performances, and the number of days during which he may expect good audiences. Your reply should not be less than 200 words nor more than 250.

The Government | | | have decided to appoint a paid executive officer to your municipality or District Board. Write an application for the post, stating your educational qualifications, experience, and age. Also give references (1) as to your character. Your application should not exceed 150 words in length.

Having been appointed auditor to a co-operative society write a letter, about 150 words in length, asking | the President when it would be most convenient for you to inspect the books. Give him details of your tour programme, and ask him, if possible, to arrange a date | which will avoid your making a lengthy journey. Tell him, too, that as the Society has very large outstandings you will desire to see full particulars of each debtor's account. | | |

Describe your friend's marriage to your father, giving full details of presents received, the number of guests present, specifying the relationship of the more important to the bride or bridegroom (2) as the case may be. Say, too, whether you think the couple will be happy, and comment on your friend's prospects in his career. Your letter should not exceed 250 | words nor be less than 200 words in length.

In the Provincial Legislature there has been a full debate on a motion denouncing the present system of education especially in | | regard to the education of girls. Write an account of the debate to a friend in Assam, giving a fairly full summary of the discussion, mentioning the speakers who took | | | part in it and detailing the arguments of the leaders on both sides of the House. Your report should not exceed three hundred and fifty words, and marks will be (3) awarded for clarity and conciseness in presenting the arguments of those supporting the motion and of those opposing it.

Frame an agenda for a meeting of a local sports club. The | club has resolved to hold a badminton tournament and to offer silver cups as prizes. Your agenda should therefore include items dealing with this tournament, such as the date | | on which should be held, the value of the cups to be offered, from whom subscriptions are to be sought, and the qualifications to be demanded in intending competitors | | |. You must include a question whether the collection of gate-money should be entrusted to a contractor or undertaken by club members Marks will be awarded for correct arrangement and (4) numbering of items Your agenda should not exceed one hundred words.

You are an agent of an insurance company Write a letter not exceeding fifty words, to a branch manager | telling him of your intention to inspect his branch, and giving the time and day of your arrival At the same time tell him you will require particulars of policies | | taken out and of the number of prospects interviewed during the past year.

(Answers Next issue.)

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